

VZCZCXRO4579
PP RUEHPB
DE RUEHBY #0234/01 0682336
ZNY CCCCC ZZH
P 092336Z MAR 09
FM AMEMBASSY CANBERRA
TO RUEHC/SECSTATE WASHDC PRIORITY 1174
INFO RUEHJA/AMEMBASSY JAKARTA PRIORITY 5393
RUEHPB/AMEMBASSY PORT MORESBY PRIORITY 1976
RUEHWL/AMEMBASSY WELLINGTON PRIORITY 5662
RUEHBN/AMCONSUL MELBOURNE PRIORITY 6120
RUEHBD/AMCONSUL PERTH PRIORITY 4383
RUEHDN/AMCONSUL SYDNEY PRIORITY 4334
RHEHNSC/NSC WASHINGTON DC PRIORITY
RHHMUNA/CDR USPACOM HONOLULU HI PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 CANBERRA 000234

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E.O. 12958: DECL: 03/03/2019
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SUBJECT: EARLY ELECTION IN AUSTRALIA? /// CORRECTED COPY
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REF: CANBERRA 00229

Classified By: Political Counselor James F. Cole for reasons 1.4 (b) and (d)

11. (SBU) SUMMARY: There is increasing speculation among political insiders and observers that Prime Minister Rudd may call an early election this year before the global economic crisis starts to drive up unemployment, and to take advantage of his popularity and divisions in the Opposition. To call an election before July 1, 2010, Rudd would need to trigger a double dissolution, which would require the Senate to reject a bill for the second time, three months after the first rejection. While double-dissolution elections have been held six times in Australia's history, technically, it is in the hands of the Coalition whether an election will be called this year since they can always support any previously-rejected bill upon reintroduction. Even if Rudd waits another 18 months, the discussion of an early election gives Rudd considerable leverage to push legislation through the Senate as long as the Opposition fears going to the polls. END SUMMARY.

WHY THE SPECULATION?

12. (U) An increasing number of observers are predicting that Rudd will go to the polls late this year to avoid maximum fall-out from the economic downturn. Unemployment, for example, which dipped below four percent a year ago, is predicted to double by mid 2010. Proponents note that Rudd's Australian Labor Party's (ALP) National Conference has been moved forward from January 2010 to July 31 2009, the Queensland ALP Government will go to the polls early on March 21 instead of September as initially expected, and the Liberal Party opposition is divided and way behind in the polls. In December 2007, Liberal Federal Political Director Brian Loughnane remarked that "our operating assumption is that we must be ready for another election in two years - it has been Labor's track record to go early if they can." Australian history shows first-term governments are almost always returned, but with a reduced majority. The last time a first-term government lost office was in 1931 during the Depression.

HOW COULD THIS HAPPEN?

13. (U) A normal election, as occurred in 2007, takes place every three years and involves an election for the entire House of Representatives, and half of the Senate. By law, the earliest such an election can be called is July 1, 2010. A House of Representatives-only election can be called at any time (and held a minimum of 33 days after dissolution of the

House), but a House-only election would put the House and Senate terms out of sync, meaning a half-Senate election would still have to be held before July 1 2011 - there is no indication the government is considering this option. The only other option, and the one most discussed, is a double dissolution election, which would involve an election of the entire upper and lower house. For Rudd to exercise this option, the Senate must twice reject a Bill passed by the House, with the second rejection occurring at least three months after the first. The emissions trading scheme and industrial relations legislation are the most obvious triggers, but double-dissolution elections have often been based on minor issues, put in the spotlight once the Government decided it needed an excuse, and quickly forgotten thereafter. Rudd's plan to increase the tax on pre-packaged mixed drinks (known as the "alcopops tax"), for example, could be the trigger.

RUDD'S MARGIN: SOLID NOT HUGE

14. (U) Rudd's ALP holds 83 seats in the House, the Coalition 64, and independents three. To win back a majority, the Liberal-National Party Coalition requires 12 seats and a uniform swing of three percent. There was a 1.4 percent swing against the popular Hawke ALP government when it sought a second term at an early election in 1984 - a uniform 1.4 percent swing against the Rudd government would cost it eight seats, meaning it would barely hold government.

WHAT INSIDERS SAY

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15. (C/NF) Former Liberal Party Leader John Hewson told the Charge that Rudd would call an early election, otherwise unemployment "will kill" him. Former Liberal Party federal director Andrew Robb, the Shadow Minister for Infrastructure, COAG, and Emissions Trading, agrees, believing the political landscape will worsen for Rudd as unemployment grows. However, Liberal MP Chris Pyne - one of the Opposition Leader's inner circle and the manager of Opposition Business in the House of Representatives - said the Coalition was determined not to provide a trigger, and he was doubtful it was in Rudd's best interests to call an early poll. Pyne noted he thought the economy would start to improve in 2010. New South Wales Liberal Senator Marise Payne told us low financial resources would also hold her party back from triggering a double dissolution. ALP Assistant National Secretary Nick Martin told us there appeared to be a "clear preference" among the ALP hierarchy for the government to run close to a full term, but that "weird and wacky things happen in politics," and that it might be too tempting to resist an opportunity to go early.

NO STAMPEDE TO THE POLLS, BUT DON'T RULE IT OUT

16. (C/NF) COMMENT: We doubt that Rudd has made a decision. Speculation that he is interested in an early election strengthens his hand in dealing with a Senate where Labor needs Green and independent support to pass legislation that the Opposition does not support. There appears to be no sense of urgency in the ALP to rush to the polls. Rudd - who has said he is against politicians manipulating election dates and is in favor of fixed parliamentary terms - would likely prefer a major issue to use as a double dissolution trigger. On the other hand, previous governments have used unimportant bills as triggers. It is improbable the Coalition will vote against the government's industrial relations legislation as it is desperate to dump its "WorkChoices" baggage. The government's emissions trading scheme could be another double dissolution trigger, but the economic downturn means there are risks for the government in calling an election on this issue.

17. (C/NF) COMMENT CONTINUED: Since the beginning of the year, Rudd and his colleagues have been upfront with the public that unemployment will get worse, yet the Government has maintained its strong standing in the polls, and there is widespread support for its economic stimulus packages. Economic management, however, is the Coalition's strongest asset. If former Treasurer Peter Costello, whom the public sees as a strong and experienced economic manager, stays in politics and contests the Liberal Party leadership, that may be a factor in the Government's early election considerations.

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